

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-02 H-02 INRE-00 SSO-00 NSCE-00 IO-10 NEA-09

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O R 071201Z APR 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 8175

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EAID, EFIN, FR

SUBJECT: TRUST FUND

REF: A. STATE 74977; B. PARIS 685

1. EMBOFF DISCUSSED QUESTIONS POSED REFTEL A WITH BLOCH-LAINE, ASSISTANT TREASURY DIRECTOR IN FINANCE MINISTRY IN CHARGE OF MULTILATERAL AFFAIRS, AND BAQUIAST, OFFICE DIRECTOR FOR INTERNATIONAL MONETARY ORGANIZATIONS. SUBSTANCE THEIR COMMENTS FOLLOWS.

2. BASIC VIEWPOINT - WHILE GOF PERCEIVES BALANCE OF PAYMENTS PROBLEM FOR LDC'S IN 1975-76, ITS ATTITUDES ARE CONDITIONED BY SEVERAL BASIC CONSIDERATIONS:

A. A PRIORI, FRENCH DO NOT WELCOME A PROLIFERATION OF AID ORGANISMS, PARTICULARLY THOSE WHICH OFFER

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LONG-TERM BALANCE OF PAYMENTS ASSISTANCE WITHOUT CONDI-

TIONS ON MANAGEMENT OF ECONOMY AS PROVIDED UNDER NORMAL IMF SYSTEM.

B. AMONG RECENT PROPOSALS, GOF IS MOST FAVORABLE TO SUCH EFFORTS AS THIRD WINDOW AND SUBSIDY ACCOUNT. FRENCH REALIZE, HOWEVER, THAT SMALL SIZE OF THESE PROGRAMS MAY LEAVE GAP WITH LDC NEEDS.

C. OVER THE LONG-RUN, GOF STILL CONSIDERS SDR-AID LINK AS BEST APPROACH FOR PROVIDING "MONETARY ASSISTANCE" TO LDC'S.

THESE OBSERVATIONS MADE, BLOCH-LAINE POINTED OUT THAT GOF ATTITUDE IS BASICALLY PRAGMATIC, AND THAT IT WOULD NOT POSE DOCTRINAL OBJECTIONS TO ANY PROPOSAL WHICH SUCCEEDS IN MAKING ADDITIONAL CAPITAL AVAILABLE TO LDC'S IN NEED. GOF SEES IRANIAN PROPOSAL IN THIS LIGHT.

3. TRUST FUND PROJECTS - IMF-IBRD PAPER SEEN AS ESSENTIALLY A HASTILY PREPARED MIXTURE OF U.S. AND IRANIAN PLANS. FRANCE COULD ACCEPT A PLAN INCLUDING BOTH PROJECT AND BALANCE OF PAYMENTS ASSISTANCE. HOWEVER, SINCE GOF CONTINUES TO OPPOSE U.S. PLAN FOR SALE OF IMF GOLD AS NOTED REFTTEL B, BLOCH-LAINE REJECTED IMF-IBRD PROPOSAL FOR RECONCILING U.S. AND IRANIAN APPROACHES TO FINANCING. FOR THIS REASON, WHILE GOF IS OPEN TO NEW PROPOSAL, IT WILL OPPOSE ANY EFFORT TO SPLIT DISCUSSION OF BANK-FUND PAPER INTO "PRINCIPLES" AND "MODALITIES" (SUCH AS FINANCING). GOF HAS NO PROPOSALS OF ITS OWN, AND NO OTHERS WERE MENTIONED DURING DISCUSSION. SHOULD A NEW FUND FOR MSA'S BE AGREED UPON (PRESUMABLY THROUGH BUDGETED FINANCING BY OPEC AND OECD COUNTRIES), GOF WOULD PARTICIPATE SUBJECT OF COURSE TO ITS BUDGETARY CAPACITIES.

4. OTHER PROJECTS - DESPITE AGREEMENT IN PRINCIPLE NOW REACHED ON SUBSIDY ACCOUNT AND "THIRD WINDOW", GOF IS UNSURE OF U.S. POSITION ON EACH OF THESE. RELATIVE TO SUBSIDY ACCOUNT, IT WAS NOTED THAT IF BOTH U.S. LIMITED OFFICIAL USE

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AND FRG (ALSO SEEN AS DOUBTFUL) DID NOT SUPPORT FUND, FRANCE COULD NOT DO SO "ALONE WITH BENELUX". ON THIRD WINDOW, BLOCH-LAINE ASKED WHETHER U.S. WOULD BE ATTENDING APRIL 30 MEETING TO DISCUSS IMPLEMENTATION. EMBOFF PROMISED TO SEEK ANSWER FROM DEPARTMENT, AND TOOK OCCASION TO NOTE U.S. VIEW THAT OUR TRUST FUND PROPOSAL PROVIDES WAY TO INSURE U.S. PARTICIPATION, SINCE IT WOULD NOT REQUIRE US TO OBTAIN NEW LEGISLATIVE

AUTHORITY, WHICH WE COULD NOT GUARANTEE IN CASE OF
OTHER PROPOSALS.

5. ACTION REQUESTED. PLEASE ADVISE OF U.S. PLANS
RELATIVE TO APRIL 30 MEETING ON "THIRD WINDOW".
RUSH

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